

Committee on Resources

Subcommittee on Energy & Minerals Resources

Witness Testimony

**Testimony by
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Group President
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Before the**

**Committee on Resources
Subcommittee on Energy and Mineral Resources
United States House of Representatives
Washington, DC
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Madam Chairman, I am Gerald L. Shaheen, Group President of Caterpillar Inc. where I am responsible for the design, development and production of the majority of Caterpillar's extensive line of forest, mining and construction equipment. Headquartered in Peoria, Illinois, Caterpillar is the world's largest manufacturer of construction and mining equipment, natural gas and diesel engines and industrial gas turbines. We employ 65,000 people worldwide and posted sales last year of close to \$21 billion. Consistent with our strategy to be globally competitive primarily from an U.S. manufacturing base, \$6 billion of that \$21 billion was exported from the U.S.

I'm pleased to be here today to highlight the importance of a healthy, growing U.S. mining industry to the well-being and success of my company, our suppliers, employees, dealers and the communities in which we operate. In 1998, Caterpillar U.S. sales to the metal and non-metal mining sectors exceeded \$390 million and supported over 5,000 good paying jobs at Caterpillar and another 10,000 jobs at our suppliers. The total value of these sales is second only to those in the transportation sector of our business.

Today, Caterpillar services our mining industry customers from a variety of sites throughout the Mid-west. Large track-type tractors produced in our East Peoria, Illinois facility; mining trucks from our Decatur, Illinois operations; motor graders and front shovels produced at our Joliet, Illinois facility; and wheel-loaders and small mining shovels from our Aurora, Illinois plant. In addition, engines from our Lafayette, Indiana and Mossville, Illinois locations power this state of the art equipment, and often serve as the only source for electric power generation for the mine and its support network.

Our supplier chain extends U.S.-wide, from steel -- over 90% of which is U.S.- sourced -- to castings...tires and brake systems...to operator seats and electronic components. I have on the table a scale model 793 mining truck, typical of that used in large mines across this country and around the world. It has a load capacity of 240 tons. The steel for this 793 mining truck comes from Pennsylvania, the steel castings are produced in Texas, the truck body was made in Casper, Wyoming by Westech Inc., the air valves and starters are from a supplier in New Jersey, the bearings are from Ohio, the tires, brake components and turbochargers are from Illinois manufacturers and the truck itself is manufactured and assembled in Illinois.

And our nationwide network of 64 independently owned Caterpillar dealers, with over 33,000 employees, provide around-the-clock support to customers from advice on the appropriate machine to use to complete the job successfully to hands-on servicing that keeps their Cat products running.

The importance of this industry to the economy of cities large and small across this nation is evident. The mining industry encompasses more than jobs or miners out West; it's machinists, steel workers, tool makers, rubber workers, and assemblers from all parts of our country.

From preparation of the mining access roads through site preparation to mineral extraction and hauling, Cat products are meeting the needs of today's modern mining operations. And once mining production is completed, our equipment is essential to the successful reclamation and rehabilitation of the mine site. It is not uncommon for a hardrock open-pit mine to use more than 20 pieces of the type of Cat equipment I described today with a total value ranging upwards of \$20 million.

Because of the importance of this industry to Caterpillar and the U.S. economy, we are concerned that recent decisions by several U.S. government agencies will jeopardize the future of hardrock mining in this country. For that reason, we support the efforts of Senator Craig and others to correct the recent millsite ruling by the Interior Department and remove the limitation of one five-acre millsite per mining claim.

Caterpillar believes that mining activities and environmental protection are not mutually exclusive. We must be good and honest stewards of the land and its resources to assure that our economy and quality of life flourish. Caterpillar is proud of the products we make and what those products make happen...a more productive economy, a more competitive U.S. industrial base, higher-wage jobs, innovative consumer and capital goods and a stronger transportation infrastructure.

The decline of the U.S. hardrock mining industry is bad news for all of us. As I indicated earlier, this is not just a western states' issue. The impact ripples through our economy and resonates in the small and medium midwestern cities that are the bedrock of our nation. A recent study conducted by the mining industry shows that mining, the economic activities associated with it, and the activities supported by it, typically cumulate directly and indirectly in the American economy as follows: \$27 billion a year in revenue for local and state government;; \$57 billion in federal revenue, \$144 billion in personal income; \$296 billion in mining-dependent business income and a total of \$524 billion impact on the U.S. economy; and 5 million dependent jobs. Today, every American requires almost 47,000 pounds of mined material a year. If it can't be grown, it has to be mined.

Madam Chairman, we hope that you and your colleagues on the Subcommittee will carefully review the existing federal statutes that govern mining on federal lands and reach some agreement on the steps that must be taken to address the challenges facing this industry as we enter the next millennium.

Thank you again for this opportunity to testify in support of the hardrock mining industry. I welcome any questions that you and members of the Subcommittee might have.

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